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COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DOVER WATER COMPANY)

D. T. E. 99-53)

)

JOINT MOTION FOR APPROVAL OF OFFER OF SETTLEMENT

Pursuant to 220 C.M.R. § 1.10(8), Dover Water Company ("Company") and Settlement Intervention Staff ("SIS") of the Department of Telecommunications and Energy (collectively referred to as the "Parties"), jointly request that the Department of Telecommunications and Energy ("Department") approve on or before December 31, 1999, the attached Offer of Settlement. The Department's expeditious approval will provide a result consistent with the public interest, avoid the expense of hearings, and result in just and reasonable rates with an effective date of January 1, 2000.

Furthermore, the Parties respectfully request that the Department move into the record the Company's initial filing and responses to SIS information requests provided during this proceeding.

Respectfully submitted for the Parties by their attorneys and/or representatives,

DOVER WATER COMPANY

By its attorneys,

James K. Brown, Esq.

Eileen M. McGettigan, Esq.

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DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
SETTLEMENT INTERVENTION STAFF

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COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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DOVER WATER COMPANY)
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OFFER OF SETTLEMENT

This Offer of Settlement ("Settlement") is jointly sponsored this 15th day of November 1999, by Dover Water Company ("Company"), and the Settlement Intervention Staff ("SIS") of the Department of Telecommunications and Energy ("Department")(1) (all collectively referred to as the "Parties"). The Settlement is offered with the intent of resolving all issues in D.T.E. 99-53.

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ARTICLE I

BACKGROUND

1.1 On May 17, 1999, the Company filed new rates and tariffs, designed to collect additional annual revenue of \$65,513, pursuant to G.L. c. 164, § 94, and G.L. c. 165, § 2. This proposal represented an increase of 16.22 percent over rates in effect on November 16, 1990. By Department Order dated May 19, 1999, the Department suspended the proposed rates until December 1, 1999. The Department appointed the SIS to act as a full intervenor in the proceeding in order to promote negotiations and effect a settlement if feasible. A public hearing was held in the Town of Dover on July 14, 1999. On that date, representatives of the Company, SIS, and the Department conducted a site visit of the Company's facilities.

ARTICLE II

MATTERS AGREED UPON BY THE PARTIES

2.1 For purposes of this Settlement, and subject to the provisions of Paragraphs 2.2

et seq of this agreement, the Parties agree that the additional annual revenues shall be \$50,628, representing an increase of 12.53 percent over the Company's current rates which went into effect on November 16, 1990, pursuant to D.P.U. 90-86.

2.2 For purposes of this Settlement, the Parties further agree that the overall rate of return on rate base shall be 10.24 percent, based on a return on common equity of 11.5 percent and a capital structure consisting of 38.87 percent long-term debt, and 61.13 percent common equity.

2.3 In its original filing, the Company proposed an across the board increase for its metered rates. For purposes of this Settlement, the decrease in revenue requirement from the originally requested amount has been effected by decreasing the base charge per quarter, but maintaining the volumetric rates as originally filed. As discussed by the Parties, the proposed base charge will reduce the impact of the rate increase on low-end users.

2.4 Coincident with its filing for increased rates, the Company proposed certain changes in its accounting practices. These changes included: (1) an adjustment to book to plant a generator acquired under a lease agreement in 1996 and in service from that date, for which final payment was made in April 1999; (2) an adjustment to book to plant a second generator which is currently being installed; (3) an adjustment to book to plant the Company's acquisition of a new service truck post-test year. For purposes of Settlement, the Company agrees to forego rate relief regarding the generators in items (1) and (2). However, the Parties have agreed to book to plant the service truck in item (3) and to remove the value of the old truck from rate base.

2.5 SIS proposed certain other changes to the Company's rate filing, including reductions: (1) in the amount of rate case expense; (2) in the cost of purchased power; and (3) reductions in wages and salaries and related expenses for Company employees. For purposes of Settlement, the Company agrees to accept SIS's

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recalculation of rate case expense and purchased power expense. The Parties also agreed to a reduction in the Company's wages and salaries and related expenses. Making the revisions set forth in Paragraph 2.4 and this Paragraph 2.5 substantially reduces the overall rate increase initially proposed by the Company.

2.6 The Parties agree that the depreciation treatment set forth in D.P.U. 90-86 is appropriate and should continue to be implemented by the Company.

2.7 The Company agrees to revise its Rules and Regulations to clarify that during Emergency or Drought Conditions, a customer violating the applicable conservation rules (Stage II - Mandatory Water Conservation, Stage III - Mandatory Water Restriction, and Stage IV - Total Mandatory Water Restriction) will be issued a written warning for a first violation. Subsequent violations will incur a \$100 fine and termination of water service, with costs of termination and restoration of service, as set forth in the Rules and Regulations, to be paid by the customer. To date, the Company has not had to impose any type of water conservation measure on its customers.

2.8 At the Public Hearing held on July 14, 1999, the Department heard several customer complaints regarding shortcomings in the Company's maintenance program for its water mains on Cedar Hill Road. Upon investigation, it is apparent that the problems may be resolved by better coordination with the Town of Dover regarding leak maintenance and leak responsibility and the control of drainage in the public ways during periods of high groundwater, and by Company communication with affected customers. The Company has agreed to improve its efforts in this regard. The SIS takes note of the Company's receipt of the EPA Region I "Consumer Awareness Award" for its outstanding public outreach efforts to educate and inform customers on water issues.

2.9 The Parties agree that this Settlement proposes only a rate increase of 12.53 percent, and sets no contingent increase in the event that the Town of Dover does not renew its contract with the Company. If the Town terminates this contract, the Company expects it will be necessary to file for an additional rate increase at that time.

2.10 The attached schedules (Schedules 1 through 12) represent the substance of the Parties' agreement on rate and service issues in D.T.E. 99-53. Schedules 1 through 9 represent the development of the Company's revenue requirement. The proposed tariffs resulting from this Settlement are appended hereto as Schedule 10. Schedule 11 sets forth the bill impacts of the rates proposed under the terms of the Settlement. A Statement of Issues, appended hereto as Schedule 12, is submitted in accordance with the Department's settlement procedures. The Statement of Issues sets forth matters within the contemplation of the Parties in discussions leading to the Settlement. Schedule 13 is a revised version of the Company's Rules and Regulations. ARTICLE III

EFFECTIVE DATE

3.1 This Settlement shall apply to all rates approved by the Department as a result of the Joint Motion for Approval of Offer of Settlement ("Joint Motion"). Subject to the provisions contained in Article 4.3, *infra*, the rates agreed to in this Settlement shall be effective January 1, 2000, upon the Department's approval of the Settlement by allowance of the Joint Motion in whole.

ARTICLE IV

CONDITIONS

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4.1 Despite the necessity to disclose the terms of the Settlement in moving its acceptance by the Department, neither the Settlement nor any statement made by a Party during hearings related to the Settlement shall be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false. This Settlement shall not foreclose any party from raising any issue in the event that the Department does not approve the Settlement.

4.2 The entry of any Order by the Department pursuant to the Joint Motion shall not, in any respect, constitute a determination by the Department as to the merits of any allegation or contention made in this proceeding. The Department's approval of the schedules attached hereto shall not be accorded precedential weight in future Department rate proceedings.

4.3 This Settlement is expressly conditioned upon the Department's acceptance of all provisions herein, without change or condition, on or before December 31, 1999.

4.4 The discussions among the Parties in D.T.E. 99-53 that have produced this Settlement have been conducted on the explicit understanding that all offers of settlement and discussions relating hereto are governed by Department precedent concerning the competence as evidence of statements made in settlement negotiations, Boston Gas Company, D.P.U. 88-67, at 15-25 (1988), shall be without prejudice to the position of any party or participant presenting any such offer or participating in any such discussion, and shall not be used in any manner in connection with these or other proceedings. Subject to Section V of the Department's settlement procedure memorandum of June 4, 1990, this Settlement is submitted on the condition that, in the event the Department does not by Order accept the entire Settlement, then the Settlement shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose related to litigation by the Parties before the Department.

4.5 The Department shall have continuing jurisdiction to enforce the terms of this Settlement.

ARTICLE V

CONCLUSION

5.1 The Parties agree to jointly petition the Department to approve this Offer of Settlement by submitting a Joint Motion for Approval of Offer of Settlement in accordance with 220 C.M.R. § 1.10(8).

DOVER WATER COMPANY DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

SETTLEMENT INTERVENTION STAFF

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DOVER WATER COMPANY

D. T. E. 99-53

SCHEDULE 10

COMPANY TARIFFS

IMPLEMENTING

THE OFFER OF SETTLEMENT

DOVER WATER COMPANY

D. T. E. 99-53

SCHEDULE 11

EXPLANATION

OF

BILL EFFECTS

DOVER WATER COMPANY

D. T. E. 99-53

SCHEDULE 12

STATEMENT OF ISSUES

RATE BASE: 1. Addition of 1996 generator

2. Addition of 1999 generator

3. Addition of new service truck

4. Removal of old service truck

5. Depreciation treatment

EXPENSES: 1. Wages and salary expenses for Company employees

2. Rate case expense

3. Purchased power expense

RATE DESIGN: 1. Level of customer charge

QUALITY OF

SERVICE: 1. Cedar Hill Road Leak

OTHER ISSUES: 1. Fines for violations of emergency water restrictions

2. Contingent rate increase for termination of Town contract

DOVER WATER COMPANY

D. T. E. 99-53

SCHEDULE 13

RULES AND REGULATIONS

Untitled

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 C.M.R. § 1.05(1) of the Department's Rules of Practice and Procedure.

Dated at Boston, Massachusetts, the ____th day of November, 1999.

Judith Laster, Esq.

Jeanne L. Voveris, Esq.

Settlement Intervention Staff

Department of Telecommunications and Energy

One South Station

Boston, Massachusetts 02110

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1. The Department established the SIS by memorandum dated June 4, 1990, in order to promote negotiations and effect settlements of water rate cases where feasible.